

**UNDERSTANDING AND MANAGING CORPORATE BRANDS:  
A SYSTEM DYNAMICS PERSPECTIVE**

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# UNDERSTANDING AND MANAGING CORPORATE BRANDS: A SYSTEM DYNAMICS PERSPECTIVE

## ABSTRACT

Corporate brands are shrouded in a “fog of complexity” (Balmer, 2001). While complexity, as a defining characteristic of corporate brands, cannot be legitimately avoided this, we suggest, is not true of the fog.

A focus on constituent elements, indicative of reductionism, is evident in much corporate brand theorising. Because corporate brands consist of connected elements, whose interactions shape outcomes, they are complex systems. It is characteristic of complex systems that they not reducible to their constituent elements. So we suggest that, with corporate brands, the totality of the system must be properly understood to be effectively managed (Hatch, 1997). We argue that System Dynamics, previously unexplored in corporate brand theory, provides the holistic approach called for in the literature (King, 1991; Hatch and Schultz, 1997; Maklan and Knox, 1997).

We take the view that corporate brands result from the actions, and interactions, of many actors and that the mental models of actors, in social systems, are determinants of their actions (Forrester, 1975).

By adopting a system dynamics perspective we can contribute to corporate brand theory and practice. We can model the interactions of elements, organization functions, and mental models involved in corporate branding. Such models can lead to the development of new knowledge (Simon, 1999) and can enable the translation of knowledge into action (Pfiffer and Sutton, 1999). We can navigate through the current corporate brand fog (Knox and Bickerton, 2003) and, by making cause and effect relationships explicit, change prevailing mental models and behaviours.

**Keywords:** complex system, corporate brand, mental model, organization, sense-making, system dynamics, systems theory.

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## **INTRODUCTION**

Corporate brands are complex systems and their complexity presents a challenge for understanding and management. Research indicates that with increased complexity goes reduced performance because understanding of complexity, and consequent decision-making and activity, is poor (Stermann, 2000). But complexity, usually perceived as a liability, can represent a potential asset for those who through understanding are enabled to harness it (Axelrod and Cohen, 2000).

The defining characteristics of a complex system are that: 1) a system is made up of a community of connected and interacting elements; 2) it is complex when outcomes are shaped by the interactions of the system's elements. A complex system therefore, in contrast to a merely complicated one, exhibits emergent properties that are not reducible to the separate elements (Axelrod and Cohen, 2000). This suggests that holistic approaches are required to understand and manage corporate brands. However it is reductionist approaches, focusing on elements such as communications or identity or culture rather than on the effects of their complex interactions, that is more prevalent in the corporate brand literature.

The product brand does not present theorists or practitioners with corporate brands' complexity challenges. But the product brand is familiar with well-established models for its understanding and management (Aaker, 2002; Keller, 2003). Does this familiarity wed theorists and practitioners to a mental model of brands that, though appropriate for products, is unsuitable for corporate brands? The answer to this question is that, at this stage, we don't know. But, for four reasons, the possibility can be acknowledged.

1. There is evidence that mental models, often implicit, are employed to make sense of the world and guide action (Weick, 1995). There is also evidence that

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it is difficult to change mental models that have been previously effective (Festinger, 1957; Senge, 1990).

2. There is evidence that managers focus on their functional aims rather than organizational goals (Dall'Olmo Riley and de Chernatony, 2000). Such a focus might not undermine the effectiveness of product brands. But corporate brand effectiveness, needing alignment across the organization (King, 1991), is undermined if a narrow functional perspective prevails across the organization's different parts.
3. There is evidence that brand practitioner experts, the brand consultants used by organizations to advise on brand strategy and action, have divergent, and mutually incompatible, mental models of brands (de Chernatony and Dall'Olmo Riley, 1998; de Chernatony and Dall'Olmo Riley, 1997).
4. There is evidence, as Figure 1 below illustrates, that brand theorists also have divergent, and mutually incompatible, models of corporate brands.

This suggests that research focusing on relevant mental models, prevailing in and across organizations, has potential to contribute to understanding and management of corporate brands. In proposing such research we first consider the corporate brand concept. Then we discuss the systems thinking approach we propose to use in research to model corporate brands in selected organizations. We then outline our research protocol. We then conclude with a brief discussion of research contributions.

### **CORPORATE BRANDS – THE CHALLENGE OF COMPLEXITY**

“Brand” has a long history and varied application. The word “brand” dates back to the Norse word “brandr” meaning to burn (Keller, 2003) and, as is evident in extensive brand taxonomies (Kapferer, 1997; Keller, 2003), is applied in a wide variety of ways.

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However it is in the understanding and management of product brands that the brand concept is long-established, familiar, and successful (Aaker and Joachimsthaler, 2002). The long-established product brand model is quite simple and can be summarised in the equation: *1 brand = 1 product = 1 promise* (Kapferer, 1997:231).

We consider it possible that the enduring success of the product brand model, and established management practices in product branding, may have shaped the mental model of brands and brand management prevalent in organizations. If so, we question whether such a brand model can be effectively applied to the multi-faceted complexity of corporate brands.

Stephen King's 1991 paper (King, 1991) marked a major development in corporate brand theory. In his paper King outlined why corporate brands were becoming increasingly important for organizations, what distinguished corporate from product brands, and how corporate brands needed to be managed. Striking in King's paper is the holistic emphasis given to the integration of the corporate brand, and to its interactions, across the organization.

The many fundamental differences between product and corporate brands are summarized in Table 1 below.

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**Table 1** Differences between Product Brands and Corporate Brands

	<b>Product Brand</b>	<b>Corporate brand</b>
Focus of attention on...	<i>The product</i>	<i>The organization</i>
Managed by...	<i>Middle management</i>	<i>CEO</i>
Attract attention and gain support of...	<i>Customers</i>	<i>Multiple stakeholders</i>
Delivered by...	<i>Marketing</i>	<i>Whole organization</i>
Communicated by...	<i>Marketing communications</i>	<i>Multiple communications, activities, and contacts</i>
Time horizon...	<i>Short (product life)</i>	<i>Long (organization life)</i>
Importance to organization...	<i>Tactical for function</i>	<i>Strategic for organization</i>

(Source: adapted from Balmer, 2001)

Since Stephen King's paper (King, 1991) there has been a burgeoning corporate brand literature with many theoretical formulations of the underlying nature of the corporate brand. Figure 1 below identifies some of the many brand models developed.

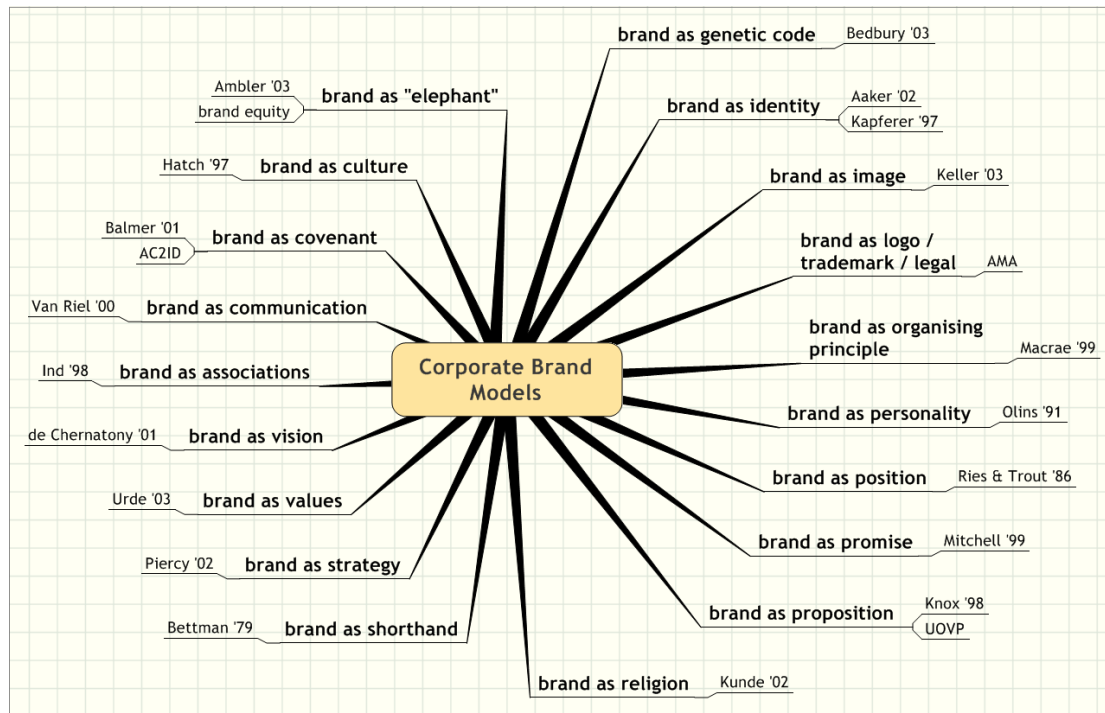
Some of these theoretical formulations, such as the Unique Organization Value Proposition (Maklan and Knox, 1997) or the AC2ID Identity model (Balmer and Greyser, 2002), recognise the multiple-faceted reality of corporate brands. Other formulations, seeking to reduce the corporate brand to dominating elements, are more reductionist in perspective.

When a reductionist perspective is prevalent explication of underlying elements, which may constitute corporate brands, is a natural research focus. However, when considering corporate brands as complex systems, delineation of constituent parts has limited utility to contribute to understanding or management of the systemic

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interactions. And we argue that it is the systemic interactions in corporate brands that, in addition to being a defining characteristic and so unavoidable, present the major challenge and opportunity to corporate brand understanding and management.

**Figure 1** Corporate Brand Models



(Source: Dunnion, unpublished paper)

### SYSTEM DYNAMICS – MEETING THE COMPLEXITY CHALLENGE

We argue that the systemic interactions of corporate brands present a challenge to corporate brand understanding and management. Meeting the challenge requires a holistic approach and we suggest that System Dynamics provides a philosophical and methodological perspective well suited to meeting this complexity challenge of corporate brands.

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System dynamics is a school of applied systems thinking. Systems thinking has roots in biology and cybernetics. From biology it takes its focus on complex wholes rather than, as with reductionism, constituent parts. From biology also comes its focus on the interactions of constituent parts, rather than on the parts themselves, within systems. From cybernetics, concerned with control systems and the use of communication flows in effective systems, comes the focus in systems thinking on feedback.

Among the distinguishing characteristics of the system dynamics approach is its emphasis on feedback and on computer modelling. In all complex systems the interactions of the many variables shape the nature of the system. In the system dynamics approach these variables are causally related in feedback loops and it is the specific interconnectedness of these feedback loops that both constitute the structure of the complex system and enable the system's complexity to be captured.

To assess the system dynamics approach requires an understanding of the modelling process and of the assumptions, implicit and explicit, within the modelling process. Modelling a complex system in system dynamics, illustrated in Figure 2 below, requires the following steps:

- Determination of the system boundary. All interacting elements important to the system's behaviour need to be included and, in developing a model that simplifies reality, those unimportant excluded. In the mineral resources example interacting elements are proven reserves, addition to reserves, consumption of reserves, investment, price, exploration, and substitution. That boundaries can be determined is a fundamental assumption of the system dynamics approach.
- Classification of all relevant variables as either stocks or flows. A stock can be considered as a quantity (e.g. of an asset) and a flow as a rate of increase or



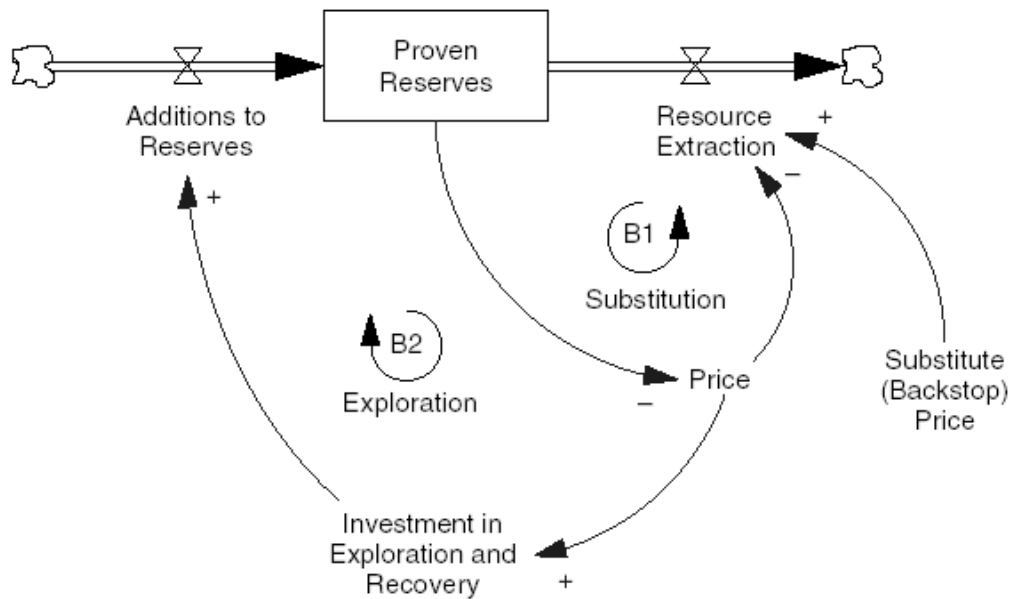
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decrease in a quantity. In the mineral resources example, proven reserves is the stock and the flows are additions to reserves and resource extraction. All corporate brand objectives (e.g. equity, positive perceptions, differentiation, etc) can be stated as stocks and all relevant activities as flows.

- Determination of the network of causal loops. These causal loops link the variables in the system. The causal loops proposed elicit mental models and capture hypotheses. In the mineral resources example the variables linked in causal loops are investment, price, exploration, and substitution. Causal loops are always either positive (with an increase in price goes increase in exploration investment) or negative (with an increase in price goes a decrease in resource consumption.)
- Establishment of points of leverage. Points of leverage are areas in the system where action might achieve significant change. Through iterations of the preceding steps in the modelling process points of leverage emerge, indicated by dominant feedback loops, and suggest areas in the system where action might achieve significant change. The system dynamics approach is, as the focus on points of leverage implies, goal-seeking in purpose.

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**Figure 2** A System Dynamics diagram of a mineral resources economic model and illustrating its stocks, flows, and interacting causal loops.



(Source: Sterman, 2002:514)

Central to all systems thinking approaches is taking a holistic view of reality. This holistic orientation provides a higher-order unity across different schools of systems application, which differ significantly in other respects, and unifies them in their philosophical opposition to reductionism. Systems thinking therefore continues an ontological debate which goes back to Heraclitus in about 500 B.C. and has since continued in the Western scientific tradition (Chia, 2002).

While sharing underlying philosophical and theoretical tenets the various schools of systems thinking use quite different methods. This procedural diversity reflects the divergent goals, areas of interest, problems addressed, and focus for research across the different schools of systems thinking.

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Different systems thinking approaches can be categorised in terms of 4 basic orientations and paradigms (Jackson, 2000; Jackson, 2004) that can be described (following Jackson, 2004) as follows:

- 1) goal seeking and viability – a functionalist paradigm
- 2) exploring purposes – an interpretive paradigm
- 3) ensuring fairness – an emancipatory paradigm
- 4) promoting diversity – a post-modern paradigm

To assess the contribution of the system dynamics approach it is necessary to understand that it is avowedly goal-seeking and functionalist. The distinguishing characteristics of the functionalist paradigm include: focus on efficient functioning, promotion of system effectiveness, assumption that understanding of systems can be achieved, delivery of greater system control to managers.

The transformation of variables into just stocks and flows, in the system dynamics approach, focuses attention on outputs and related activities. This approach strongly contrasts goals and inputs and with corporate branding, which has many input elements (e.g. identity, culture, communications, behaviours, etc) such clarity may help contribute to theoretical understanding and practitioner management.

By capturing the complexity of feedback loop interactions system dynamics clarifies systemic relationships and, by doing so, system dynamics can inform understanding and management, can alleviate conceptual and practical difficulties faced, and can identify levers for advantageous change.

The system dynamics approach assumes that, in principle at least, the future possibilities of the system under examination can be modelled. Consequently system dynamics can be regarded as enabling management to utilise a “laboratory of the future”(Sherwood, 2002:274). Through pre-stating relevant stocks (e.g. stakeholder

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perceptions, differentiation from competitors, attractiveness, etc) and boundary conditions (e.g. quality, service, etc), the future consequences of alternative flows (e.g. management actions) can be computed. Consequently bringing a system dynamics approach to corporate branding might benefit both theorists and practitioners by enabling them to model, analyze, understand, and adapt.

### **OUTLINE RESEARCH PROTOCOL**

System dynamics is a research approach that aligns well with the action research perspective “...the systems approach necessarily underlies AR (action research) in all its manifestations. Both rely heavily on a holistic view of the world.” (Greenwood and Levin, 1998:71). In the tradition of cooperative inquiry system dynamics takes its point of departure as the participant, or client, reality. Like action research change in the client condition is an aim. In the research proposed we examine whether change in managers’ cognitions is effected by taking a holistic view and systems approach to corporate brands and, if so, whether such cognitive change results in behavioural change.

Better understanding and more effective management of corporate branding are relevant to a very large and wide range of organizations. However, utilising a purposive sample frame, we greatly reduced the universe of possible organizations though a) focusing on organizations for whom, given their characteristics, corporate branding effectiveness is particularly salient (King, 1991), b) focusing on organizations in service businesses and for whom, consequently, corporate branding effectiveness involves more complexity (de Chernatony and Segal-Horn, 2001), c) focusing on organizations who perceive the research focus to be of high importance (Greenwood and Levin, 1998; Sterman, 2000). Organizations meeting these criteria,

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and affording potential access to senior management, produced publicly quoted multinational organizations in the financial services and mobile communications businesses. Exploratory discussions are already in progress.

In this research we adopt an Action Research perspective. We seek in this research to be facilitator, change agent, and partner in a process of participative and iterative inquiry (Reason, 1994; Greenwood and Levin, 1998). We will examine senior managers' mental models of the corporate brand. It is these mental models that will be the unit of analysis. In making this decision we take the view that mental models of actors, in social systems, are determinants of their actions (Forrester, 1975). We are interested in how individual senior managers differ in how they model the corporate brand. Based on exploratory discussions we expect that managers' mental models will differ significantly; that the models will be product brand, rather than corporate brand, in conception; that the models will indicate a perception, particularly among managers of other functions, that corporate branding is primarily a Marketing function responsibility.

To capture the managers' own constructs of the corporate brand we will first use Repertory Grid techniques. Subsequently we will make a System Dynamics intervention with managers to model the corporate brand from this holistic perspective and systems approach. We are interested in whether System Dynamics models change managers' cognitions and facilitate managers' understanding and management of their corporate brand; in whether causal loop diagrams enable managers to understand and harness complexity; in whether the development of new knowledge is enabled; and in whether modelling the corporate brand with System Dynamics results, with respect to corporate brands, in more aligned organisational behaviour.

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### **CONCLUSIONS**

Corporate branding has been characterised as being mired in a fog of complexity (Balmer, 2001). The complexity, we argue, is a necessary consequence of corporate brands being complex systems. But the fog is not. Indeed we suggest that, at least in part, this fog is a consequence of bringing a reductionist perspective to bear on phenomena that, at least in part, require a holistic perspective.

The research we propose aims to deliver this holistic perspective. In doing so we seek to contribute to articulated gaps in the corporate brand literature including: need by practitioners for relevant theory (Keller, 1999); need for a holistic approach (Ambler, 1996); need for empirical academic research (Balmer, 2001); need for research on actions undertaken (Hatch and Schultz, 2003); need to understand how the system works (Bickerton, 2003); need for a different perspective (King, 1991). As well as contributing to understanding and management of systemic interactions in corporate brands we also aim, by unravelling the interactions of the elements involved in corporate brands, to contribute to understanding of these elements.

The functionalist perspective taken by system dynamics seeks to generate more effective action through better understanding. This better understanding is derived, with system dynamics, by making causal connections and interactions explicit. But system dynamics, notwithstanding its action orientation, places particular emphasis on theory development. Indeed theory development is integral to its procedures with the early stage, in system dynamics modelling, of problem articulation being immediately followed by the development of “dynamic hypotheses” or theories about the dynamics of the problem. The centrality of feedback which facilitates learning (Senge, 1990), and the centrality of modelling which facilitates testing (Sterman, 2000), in system

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dynamics both suggest that the research we propose can contribute to the management, as well as the understanding, of corporate brands.

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